GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2774
ANSWERED ON:17.12.2008
BOARD OF DIRECTORS IN BANKS AND FINANCIAL INSTITUTIONS
Naik Shri Shripad Yasso

Will the Minister of FINANCE be pleased to state:

(a) whether Board of Directors in Banks and Financial Institutions have been reconstituted during the last three years and the current year;

(b) if so, the details thereof;

(c) whether any violation of Government policy has been reported by them; and

(d) if so, the details thereof and the action taken thereon?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b) : Board of Directors of Nationalised Banks are constituted under the provisions of Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970/1980 (the Act). The following amendments were given effect to, for reconstitution of the Boards of Nationalised Banks:

1. Reconstituted on 26.9.2006 by amending the Act namely, the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Act, 2006 (effective from 16.10.2006) providing, inter alia, for increase in number of whole time directors from two to a maximum of four; provision of a director representing SEBI/ NABARD etc. deleted; depending on shareholding pattern of the Bank, not more than six part- time non-official directors are required to be nominated by the Central Government. In the case of those banks which have raised capital by public issue of shares, these six part-time non-official directors shall be replaced in a phased manner by directors elected by the share- holders other than the Central Government, as indicated below:-

(a) where not more than 16 % of the total paid up capital is held by the public not more than 1 director

(b) where more than 16% but not more than 32% of the total paid up capital is held by the public not more than 2 directors

(c) where more than 32% of the total paid up capital is held by the public not more than 3 directors

It has further been provided that one director, possessing necessary expertise and experience in matters relating to regulation or supervision of commercial banks, shall be nominated by the Central Government on the recommendations of the Reserve Bank. Further, by amending the clause 9 (2) of the Nationalised Banks (Management & Miscellaneous Provisions) Scheme 1970/1980(effective from 19.02.2007), the tenure of directors nominated under clause 9(3)(g) and 9(3)(h) of the Banking Companies (Acquisition & Transfer of Undertakings) Act 1970/1980, has been restricted to three years and they cease to exist after the expiry of their tenure.

2. In so far as FIs are concerned, there has not been any amendment to the Act governing such appointment, which may lead to reconstitution of their Board.

(c) & (d) : No violation of Government policy has been reported while reconstituting the Boards.